The term "life insurance" means the amount of life coverage underwritten by Ætna.

The term "Company-funded life coverage" means any excess of life coverage for Class I retired employees over $50,000 for which the Company is financially liable.

Your certificate of insurance is contained on page i of the booklet.

CONTENTS

SECTION 1. ELIGIBILITY

ACTIVE EMPLOYEES

As a "regular employee" of the Company, you are covered by the Group Life Plan after you complete six months of service. "Regular employee" means a full-time or part-time employee engaged for the usual activities of the business and whose employment is reasonably expected to be permanent at the time he or she is engaged. (Certain Third Country National or Local National employees of BellSouth International, Inc. are excluded from coverage.)

To enroll in the Group Life Plan, you must complete and sign an enrollment form on which you name your beneficiary or beneficiaries (Section 3). Coverage is effective after you complete six months of service and have enrolled.

If you are both disabled and away from work on the date your coverage would begin, the coverage will be delayed until you return to work.

Enrollment forms are available from either your Payroll Office or your Benefit Office.

RETIRED EMPLOYEES

As a "retired employee", you are covered by the Group Life Plan. "Retired employee" means a former employee who has retired and upon retirement was granted a service or disability pension under and pursuant to a BellSouth Corporation pension plan. A former employee who is eligible for or who receives a deferred vested pension shall not be considered a retired employee.

LONG TERM DISABILITY (LTD) ELIGIBLES

As a former employee who is not pension eligible, but is eligible to receive benefits under a long term disability (LTD) plan of the Company (regardless of whether you are actually receiving LTD benefits), you may be covered by the Group Life Plan consistent with the provisions described in Section 2 of this summary plan description.

EMPLOYEE ON AN APPROVED LEAVE OF ABSENCE

If you have at least six months service and are on a Company approved leave of absence other than Military, you are covered by the Group Life Plan consistent with the provisions described in Section 2.

LAID OFF EMPLOYEE

If you are in layoff status, you are covered by the Group Life Plan consistent with the provisions described in Section 2.

SECTION 2. COVERAGE LEVELS

DURING ACTIVE EMPLOYMENT

During your active career with the Company, your coverage provides:

- life insurance equal to one year's annual base pay rounded to the next higher $1,000

plus

- an equal amount of accidental death and dismemberment (AD&D) insurance.

AD&D insurance provides active employees with added coverage for death or dismembering injuries caused by an accident. There is no AD&D insurance after retirement.

"Annual base pay" means your annual rate of pay as determined by the Company. Bonuses, incentives, merit awards when they are a permanent part of your compensation and all voluntary salary deferrals, both qualified and non-qualified are included; whereas tour differentials and any other differentials regarded as temporary or extra payment are excluded when determining the amount of your life and AD&D coverage. If you are paid hourly or weekly, multiply your normal weekly base pay by 52.2 to get your yearly rate; if you are paid monthly, multiply by 12.

If you are entitled to a change in the amount of your coverage due to a change in your annual base pay, the change will be effective at the same time your new pay rate becomes effective, except that if you are both disabled and away from work on that date, any increase in coverage will be delayed until you return to work.

Your Group Life Plan coverage is determined in accordance with the following schedule expressed in thousands of dollars. If you sustain accidental bodily injury and die within 90 days after that accident, your beneficiary(ies) will receive 100% of your AD&D insurance. This is in addition to your life coverage.

Schedule of Insurance

Annual Base Pay	Life Coverage ($000)	Plus AD&D ($000)	Total Possible Protection ($000)
Under $3,000	$ 3	$ 3	$ 6
$3,000 but under $4,000	4	4	8
$4,000 but under $5,000	5	5	10
$5,000 but under $6,000	6	6	12
$6,000 but under $7,000	7	7	14
$7,000 but under $8,000	8	8	16
$8,000 but under $9,000	9	9	18
$9,000 but under $10,000	10	10	20

etc. in steps of $1,000

If as a result and within 90 days of the accident, however, you lose sight or limb, you will receive all or part of your AD&D insurance, depending on the extent of your loss as follows:

One hand, one foot, or the sight of one eye.	50% of your AD&D insurance
Any two of the above	100% of your AD&D insurance

"Loss of hand or foot" means severance at or above the wrist or ankle joint. "Loss of sight" means the entire and irrecoverable loss of sight of the eye.

AD&D insurance is payable whether the accident occurs on or off the job. However, benefits are not payable for losses caused by disease or its treatment, intentionally self-inflicted injury, or any act of war, for suicide, whether the individual is sane or insane, or by bodily or mental infirmity.

Not more than 100% of your AD&D insurance amount will be payable for all losses—including death—resulting from any one accident. However, AD&D insurance payable for dismemberment does not reduce life coverage in any way.

DURING RETIREMENT

When you retire on a service or disability pension, your life coverage (but not AD&D) will continue in accordance with one of the provisions described in this sub-section. Life insurance is subject to change or termination according to the terms of the group insurance policy. Company-funded life coverage is subject to change or termination according to the plan description on file with the company.

"Normal retirement date" means the date on and after your 65th birthday on which you retire but in no event later than the last day of the calendar month in which your 65th birthday occurs. If you continue to work beyond age 65, your "normal retirement date" is still the last of the month of your 65th birthday.

AD&D insurance stops at retirement, regardless of age. Also, life coverage is not available to anyone who leaves the Company with a deferred vested pension.

Your Retirement Date	Your Age at Retirement	Provisions
1. Prior to 8/7/77	Any Age	Your life coverage was reduced 10% each year on the anniversary of your retirement to a maximum reduction of 50% of the life coverage you had when you retired. Effective 8/7/77, the reduction rule is applied on the anniversary of your 65th birthday. Therefore, if on 8/7/77, your life coverage was greater than 50% of the life coverage you had when you retired, no further reductions are made until you reach the age that corresponds to the reduction rule applicable to those employees who retired on or after 8/7/77. For example, if you retired on 6/1/76 at age 50 with life coverage in the amount of $15,000, your life coverage is as follows:

Your Retirement Date	Your Age at Retirement	Provisions
		$15,000 from 6/1/76 to 6/1/77 13,500 from 6/1/77 to age 67 12,000 from age 67 to age 68 10,500 from age 68 to age 69 9,000 from age 69 to age 70 7,500 beginning at age 70
2. On or after 8/7/77 (On "Normal Retirement Date")	65	The full amount of your life coverage (but not AD&D) continues during your first year of retirement. Effective the first of the month following your 66th birthday, this coverage is reduced by 10%. On each of the next four anniversaries of that reduction, your coverage is reduced by the same amount. Thereafter, 50% of the life coverage (but not AD&D) you had when you retired continues.

Your Retirement Date	Your Age at Retirement	Provisions
3. On or After 8/7/77 (Prior to "Normal Retirement Date")	Less than age 65	The full amount of life coverage (but not AD&D) continues in full until your 66th birthday when it is reduced by 10%. On each of the next four anniversaries of that reduction, your coverage is reduced by the same amount. Thereafter, 50% of the life coverage (but not AD&D) you had when you retired continues. For example, if your life coverage at retirement equals $15,000, you will have: $15,000 until you reach age 66 13,500 from age 66 to age 67 12,000 from age 67 to age 68 10,500 from age 68 to age 69 9,000 from age 69 to age 70 7,500 beginning at age 70

Your Retirement Date	Your Age at Retirement	Provisions
4. On or After 1/1/79, but prior to 8/10/80 (Beyond "Normal Retirement Date")	Beyond 65	Your life coverage at retirement equalled the coverage in force on your "Normal Retirement Date." Effective the first of the month following your 66th birthday, your life coverage was reduced by 10%. On each of the next four anniversaries of that reduction, your coverage was reduced by the same amount to a maximum reduction of 50% of the life coverage you had on your "Normal Retirement Date."

Your Retirement Date	Your Age at Retirement	Provisions
5. On or After 8/10/80, but prior to 1/1/87 (Beyond "Normal Retire-ment Date")	Beyond 65	Your life coverage at the time of your retirement was reduced 10% for each year you were beyond your 65th birthday to a maximum reduction of 50%. If, after that reduction, your life coverage was 50% of the life coverage you had when you retired, no further reductions were made. Otherwise, your life coverage was reduced further by 10% effective on the first of the month following your birthday to a maximum of 50% of the life coverage you had when you retired.

Your Retirement Date	Your Age at Retirement	Provisions
6. On or After 1/1/87 (Beyond "Normal Retirement Date")	Beyond 65	Your life coverage (but not AD&D) will continue in full until your next birthday when it is reduced. This reduction will continue on each subsequent birthday until your coverage is reduced to 50% of the life coverage you had at age 65. The initial reduction will be cumulated as if you had retired at age 65. For example, your birthday is 5/1 and at age 65 your life coverage equals $20,000. You retire on 7/1/89 at age 68 with life coverage in the amount of $21,000. After retirement, you will have: $21,000 from 7/1/89 to 5/1/90 (age 69) 12,000 from 5/1/90 to 5/1/91 (age 70) 10,000 beginning on 5/1/91 or at age 70

DURING DISABILITY

If you become totally disabled and are not yet eligible to retire on a disability or service pension, your Group Life Plan coverage can continue through payment by your Company of premiums to Ætna while the group policy remains in force. This continuation can be for part or all of the time you are disabled depending on whether you receive accident disability benefits or sickness disability benefits under the Sickness and Accident Disability Benefit Plan. This feature will not continue coverage beyond the following limits.

- If you receive accident disability benefits, your life and AD&D coverage may continue in force as long as you receive these disability benefits.
- If you receive sickness disability benefits, your life and AD&D coverage may continue. while you are receiving these disability benefits.
- When sickness disability benefits stop (after a maximum of 52 weeks), your life coverage (but not AD&D) may continue at no cost to you – as long as you remain totally disabled – for one to three years depending on your term of service, as follows:

under 5 years	1 year
5 but under 10 years	2 years
10 but under 15 years	3 years

To keep this insurance coverage, satisfactory proof of disability is required.

Your AD&D insurance stops when your sickness disability benefits stop.

DURING APPROVED LEAVES OF ABSENCE

If you have at least six months of service and are on a Company-approved leave of absence other than a military leave, the coverage you had prior to the leave will remain in force for the duration of the leave at no cost to you.

If you enter the armed forces for regular duty or for training (more than 1 month), your life and AD&D coverage will stop at the end of the month in which you start your military leave.

DURING LAYOFF

Should you be laid off, your coverage will continue for up to six months from the start of the absence at no cost to you.

If the period of layoff extends beyond six months, all coverage terminates.

SECTION 3. BENEFICIARIES

You may name any person or persons, your estate, almost any organization or your trust as your beneficiary, and you may change your beneficiary at any time. If you wish to make such a change, contact your Payroll or Benefit Office to obtain the appropriate form. If you are eligible for any Company-funded life coverage as a Class I retired employee, your beneficiary for this coverage will be the same as for your life insurance.

If you name more than one beneficiary, be sure to indicate the share of your coverage payable to each. If you do not indicate otherwise, they will share equally.

SECTION 4. ASSIGNMENT OF LIFE COVERAGE

You may make an irrevocable gift assignment of Group insurance and Company-funded life coverage if both the Company and Ætna consent. This means you may name someone else as owner of the policy even though it is your life that is covered.

If you make an assignment, you give up all rights, title, interest and ownership, both present and future, relative to the coverage. The assignment cannot later be revoked by you. The person to whom you assign your coverage has the absolute and continuing right to name beneficiaries or to exercise any other privileges which would have been otherwise available to you.

Because of the various legal and tax implications involved, you may wish to consult both your lawyer and tax advisor before taking any such action. If you wish to make an assignment, you can get the appropriate forms from your Benefit Office. All requests for assignment forms must be made in writing.

SECTION 5. REPORTING CLAIMS

Written proof of loss on which an AD&D claim may be based must be given to Ætna not later than ninety days after the date of loss. Written proof of loss on which a life claim is based must be given to Ætna promptly.

Failure to furnish proof within the time provided will not invalidate or reduce any claim if it can be shown that it was not reasonably possible to furnish such proof and that such notice or proof was furnished as soon as was reasonably possible, but not later than one year after the time it was required, unless you are legally incapacitated. Otherwise, late claims will not be covered.

Ætna will have the right and opportunity to have a physician designated by it to examine your person when and as often as it may reasonably require during the pendency of claim, and also, the right and opportunity to have an autopsy made in case of death where it is not forbidden by law.

No action at law or in equity may be brought against the Ætna after three years from the expiration of the time within which proof of claim is required. This applies to AD&D, but not to life coverage.

SECTION 6. PAYMENT OF CLAIMS

Your life coverage is payable to your named beneficiary or beneficiaries in the event of your death. If there is no living beneficiary named at the date of your death, your coverage will be payable to your estate, provided that the Ætna may, in such case, at its option, pay such amount to any one of the following classes equally in order, as beneficiary of the employee or of the retired employee: spouse, children, parents, and payment so made shall completely discharge Ætna's obligation with respect to the amount of coverage so paid.

Actual payment of the life insurance and accidental death proceeds at death will be paid in a lump sum unless you or your beneficiary elected some other method of settlement permitted by Ætna. An employee's election will take precedence over a beneficiary's election.

Any Company-funded life coverage will be paid in lump sum.

If you receive accidental dismemberment insurance, it is paid to you in lump sum.

SECTION 7. UMBRELLA PROVISION (RETIRED BEFORE 1-1-58)

Employees who were retired on pension prior to the effective date* of the Plan are covered under the Group Life Plan only as shown in the following schedule:

Retired Employee's Annual Base Pay, as Determined by the Employer Immediately Before Retirement	Group Life Coverage
Less than $2,000	$1,500
$2,000 but less than $3,000	1,500
3,000 but less than 4,000	2,000
4,000 but less than 5,000	2,500
5,000 but less than 6,000	3,000
6,000 but less than 7,000	3,500
7,000 but less than 8,000	4,000
8,000 but less than 9,000	4,500
9,000 or more	5,000

*Management 3-11-57
Non-Management 1-1-58

SECTION 8. SPECIAL SUPPLEMENTARY INSURANCE CONTINUATION FOR CERTAIN DISABLED FORMER EMPLOYEES

Your Supplementary Life Insurance may continue further, subject to payment of premiums, therefore, by the Company and provided you remain totally disabled, if, on June 30, 1987, you met all of the following requirements:

1. You were totally disabled;
2. You were eligible to receive benefits under a long term disability plan of the Company;
3. You were not eligible for a disability or service pension; and
4. You were insured for Supplementary Life Insurance and such insurance was being continued.

Supplementary Life Insurance will be continued for the balance of the period available to you as determined from the following schedule, subject to change or termination in accordance with the terms of the group policy:

Schedule

If Service Is:	Coverage Continues For:
Under 5 Years	1 Year*
5 but under 10 Years	2 Years*
10 but under 15 Years	3 Years*

*but not beyond your eligible LTD period.

The amount of Supplementary Life Insurance being continued for you will be the amount you were insured for on June 30, 1987 (an amount equal to one, one and one-half, or two times your amount of life insurance).

SECTION 9. TERMINATION AND CONVERSION OF INSURANCE

TERMINATION OF INSURANCE

Your Plan coverage stops if your employment terminates for reasons other than retirement on a service or disability pension, total disability (non-pension eligible), or layoff. Coverage stops on the last day of the month in which your employment ends.

Coverage also stops on the last day of the month in which:

- You begin a Military leave for regular duty or Armed Forces Training leave (in excess of 1 month)
- Your extended coverage due to layoff ends
- Your extended coverage due to total disability (non-pension eligible) ends

CONVERSION OF INSURANCE

During the 31 days following the termination of your insurance, you may be able to convert part or all of your life insurance (but not AD&D) to an individual policy—without taking a medical examination. If you should die during this 31 day period and before the individual policy becomes effective, the maximum amount that you were entitled to apply for under the individual policy will be payable.

All of your Plan insurance under the Group Life Plan will automatically stop if this Plan is discontinued as to your employee class, regardless of any continuation provided elsewhere in this booklet. In such a case, the conversion privilege may be available if your life insurance has been in force under the Group Life Plan for at least 5 consecutive years prior to such discontinuance, but the amount of the individual policy will be limited to the amount of your life insurance under the Plan at the time of discontinuance, less any group life insurance made available to you by the Company within 31 days, up to a maximum of $2,000.

If you become eligible for conversion and wish to apply, you must contact your former Payroll Office. The Payroll Office will furnish you the necessary forms, with the Company's portion completed, along with instructions for your handling with Ætna.

If you convert your insurance, you may select any kind of personal life insurance policy then customarily being issued by Ætna for the amount being converted and for your age (nearest birthday) on the date of issue. A term policy is available for a period of one year. It will not have disability or other extra benefits. If a term policy has been requested and certain requirements have been met, you may elect to have the effective date of a non-term policy deferred for one year.

SECTION 10. OTHER FACTS ABOUT THE PLAN

PLAN CONTINUANCE

The Company currently intends to continue the Group Life Plan for active employees, retirees and other eligible employees, but reserves the right to amend or terminate it at any time, subject to any collective bargaining agreements. Should the Plan be discontinued, claims based on events preceding the date of discontinuance will be honored.

The benefits described in this booklet reflect the provisions of the Group Life Plan as outlined in the current agreements, if any, between the Companies and the various unions representing employees of those Companies in collective bargaining units. Copies of these agreements are distributed or made available to employees covered by them upon request.

PLAN DOCUMENTS

This booklet is a summary of the Group Life Plan and does not attempt to cover all details. Specific details are contained in the Group Life Policy between Ætna Life Insurance Company and BellSouth Corporation which legally governs the operation of the Plan at all times. The certificate of insurance is on the inside front cover of this booklet.

If you have any questions about the terms of the Plan or about the proper payment of benefits, your Company will direct you to a local Ætna Claim Office for answers to them. Otherwise you may write to the following address:

Ætna Life Insurance Company
151 Farmington Avenue
Hartford, CT 06156
Attn: Underwriting Department

NOTES

NOTES

ADDITIONAL INFORMATION PROVIDED BY BELLSOUTH CORPORATION

The following information is not a part of your booklet. Your Plan Administrator has determined that this information together with the information contained in your booklet is the "Summary Plan Description" required by ERISA. In furnishing this information, Ætna is acting on behalf of your Plan Administrator who remains responsible for complying with the ERISA reporting rules and regulations on a timely basis.

The Plan is classified under the definitions of the Employee Retirement Income Security Act of 1974 (ERISA) as a "welfare plan" providing death and specific dismemberment benefits. Life insurance and accidental death and dismemberment coverage are provided by Ætna Life Insurance Company. Amounts by which life coverage exceeds $50,000 with respect to a Class I retired employee are funded by the Company.

The Summary Plan Description has been designed to communicate to each participant certain information and facts concerning your Group Life Plan. It describes what benefits your Group Life Plan provides and who is responsible for the operation of the Plan, and advises you of your obligations and rights under the Plan. Please read it carefully and share it with your family. We also suggest you keep the booklet handy for ready reference.

PLAN ADMINISTRATOR

The Plan Administrator is BellSouth Corporation; Room 13G07; 1155 Peachtree Street, NE; Atlanta, Georgia 30367-6000, telephone number (404) 249-2355.

BellSouth has delegated responsibility for handling Plan administrative services for each Participating Company as follows:

- BellSouth Corporation
- BellSouth D.C., Inc.
  Secretary
  BellSouth Employees' Benefit Committee
  13G07 Campanile
  1155 Peachtree Street, N.E.
  Atlanta, Georgia 30367-6000
  Telephone: 404-249-2355

- BellSouth Enterprises, Inc.
- BellSouth Financial Services Corporation
- BellSouth Government Systems, Inc.
- BellSouth Information Systems, Inc.
- BellSouth International, Inc.
- BellSouth Systems Technology, Inc.
- Sunlink
  Secretary
  BellSouth Enterprises Employees' Benefit Committee
  7B02 Campanile
  1155 Peachtree Street, N.E.
  Atlanta, Georgia 30367-6000
  Telephone: 404-249-4175

- BellSouth Advanced Systems, Inc.*
- Southern Bell Advanced Systems, Inc.*
- South Central Bell Advanced Systems, Inc.*
  Assistant Secretary
  BellSouth Enterprises Employees' Benefit Committee
  Suite 1400
  3000 Riverchase Galleria
  Birmingham, Alabama 35244
  Telephone: 205-972-1814

- BellSouth Advertising & Publishing Corporation
  Assistant Secretary
  BellSouth Enterprises Employees' Benefit Committee
  59 Executive Park South, N.E.
  Atlanta, Georgia 30329
  Telephone: 404-982-7027

- BellSouth Mobility Inc
  Assistant Secretary
  BellSouth Enterprises Employees' Benefit Committee
  Suite 600
  5600 Glenridge Drive
  Atlanta, Georgia 30342
  Telephone: 404-847-3613

- BellSouth Services
  Secretary
  BellSouth Services Employees' Benefit Committee
  South E7H-3
  3535 Colonnade Parkway
  Birmingham, Alabama 35243
  Telephone: 205-977-1274

* Effective 1-1-89, you should contact your supervisor for your administrator.

- Southern Bell Telephone & Telegraph Company
  Secretary
  Southern Bell Employees' Benefit Committee
  42P75 Southern Bell Center
  675 West Peachtree Street, N.E.
  Atlanta, Georgia 30375
  Telephone: 404-529-8611

- South Central Bell Telephone Company
  Secretary
  South Central Bell Employees' Benefit Committee
  600 North 19th Street
  Birmingham, Alabama 35201
  Telephone: 205-321-3513

PROCEDURE TO OBTAIN BENEFITS
All claim forms that may be needed to obtain benefits under the Group Life Plan may be secured from your Benefit Office. They will also be ready to answer questions about the insurance benefits and to assist your beneficiary in filing claims.

Instructions on the claim form should be followed carefully. This will expedite processing the claim. All questions should be answered fully, including the completion or attachment of any required medical statements and certificates of death.

The completed claim form should be returned to your Supervisor who will forward it to your Benefit Office for appropriate handling.

When the claim has been processed and allowed by the insurance company, your beneficiary will receive a check

based on the payment method selected. If any benefits have been denied, a written explanation will also be sent.

If there are any questions about a claim payment, an explanation may also be requested from your Benefit Office.

In the case of a claim for accidental dismemberment benefits, you should follow the same procedures outlined above for your beneficiary in filing a claim.

REQUESTING A REVIEW OF CLAIMS DENIED IN WHOLE OR IN PART
If a claim for benefits is denied, either in whole or in part, you or your beneficiary(ies) will receive written notification from the Ætna Life Insurance Company. This written notification will include:

1. The specific reason or reasons for the denial;
2. Specific reference to pertinent provisions on which the denial is based;
3. A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary and;
4. Appropriate information as to the steps to take if you, your beneficiary(ies) or a duly authorized person representing you or your dependent wish to submit the claim for review.

However, if you do not hear from the Ætna Life Insurance Company within 90 days after it receives your claim, submitted according to the procedures on page 28 of this section, your claim is considered denied.

If a claim for benefits is denied or you or your beneficiary(ies) feel you have been treated unfairly with respect to the Plan, you, your beneficiary(ies) or other duly authorized person may appeal this denial or other action in writing within 60 days after your receipt of notification of Ætna's decision or, if no such notification is received, within 60 days after the 90 day period discussed previously has lapsed. Written request for review of any denied claim or other dispute matter should be sent directly to the Ætna Life Insurance Company at the address listed on Page 22. The person sending the request has the right to:

1. Review pertinent plan documents which may be obtained by following the procedures described in this booklet under "Plan Documents", pages 31-32.
2. Send to the Ætna Life Insurance Company a written statement of the issues and any other documents in support of the claim for benefits or other matters under review.

The Ætna Life Insurance Company will provide a written response to the appeal within 60 days after it is received. However, the Ætna Life Insurance Company has the exclusive right to interpret the provisions of the Plan, so its decision is conclusive and binding. In any case, as a participant or participant or a beneficiary(ies) of a participant in the Plan, you may have further rights under the Employee Retirement Income Security Act of 1974, as described in the section of this booklet entitled "Your Rights Under ERISA."

Legal Service

Service of legal process in a cause of actions with respect to any and all the provisions of the insurance contract should be directed to the insurance company at Ætna Life

Insurance Company, 151 Farmington Avenue, Hartford, Connecticut, 06156. Service of legal process concerning the Plan should be directed to the appropriate Benefit Committee Secretary or Assistant Secretary listed on pages 26-28 under "Plan Administrator."

Payment of Benefits

The Ætna Life Insurance Company pays the benefits provided under the Group Life Plan.

Plan Records

The Group Life Plan and all of its records are kept on a calendar year beginning January 1 and ending December 31 of each year.

Plan Identification Numbers

The Plan is identified by the following numbers under Internal Revenue Service rules:

# 58-1533433	Employer Identification Number–assigned by the IRS
# 541	The Plan Number–assigned by the Company

Plan Documents

The group insurance policy and the annual report of the Plan operations are available for review by Plan participants or their beneficiaries at your Benefit Office during normal working hours.

If participants are unable to examine these documents there, they should write to the Benefit Committee Secretary or Assistant Secretary listed on pages 26-28, under "Plan Administrator" specifying the documents to be examined and at which Company work location they wish to examine them. Copies of such documents will be made available for examination at that work location within 10 days of the date the request was received.

At any time, participants may request copies of any Plan documents by writing to the Benefit Committee Secretary or Assistant Secretary listed on pages 26-28 under "Plan Administrator." They will be charged a reasonable fee for copies of the documents requested, and the documents will be furnished within 30 days.

YOUR RIGHTS UNDER ERISA

As a participant in the Group Life Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

1. Examine, without charge, at the Plan Administrator's office and at other specified locations, all plan documents, including insurance contracts, collective bargaining agreements and copies of all documents filed by the Plan with the U.S. Department of Labor, such as detailed annual reports.
2. Obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator. The Administrator may make a reasonable charge for such copies.
3. Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for

the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

If your claim for a benefit under this Plan is denied in whole or in part you must receive a written explanation of the reason for the denial. You have the right to formally appeal a denial for review and reconsideration.

Under ERISA, there are steps you can take to enforce the rights outlined above. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees if, for example, it finds your claim is frivolous.

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Area Office of the Pension and Welfare Benefits Administration, U.S. Department of Labor.

APPENDIX 8

Response to Paragraph 16

of FCC Order of Investigation and Suspension

CC Docket No. 92 - 101

May 26, 1992

Godwins

Paragraph 16 requests information that can be used in a serious impartial evaluation of a macroeconomic model and its results. Ideally, enough information should be provided so that the numerical results produced by a macroeconomic model can be reproduced, or at least checked, by an outside reader with a professional training in economics. In writing the macroeconomic portions of the Godwins report we tried to anticipate the need for reproducibility and included in the report enough information to reproduce the numerical results of the macroeconomic model (See Appendix C of the Godwins report). However, the explanation in Appendix C of the Godwins report is relatively brief, so we will use the opportunity presented by Paragraph 16 to elaborate on various aspects of the macroeconomic model and its calibration.

Before presenting a detailed point-by-point response to items raised in Paragraph 16, it might be helpful to discuss the type of macroeconomic model used in the Godwins report and to contrast this model with conventional large-scale short-run econometric forecasting models. The reason for contrasting the two types of models is that the requests in Paragraph 16 constitute an appropriate set of questions for scrutinizing the results of a conventional large-scale econometric forecasting model. However, some of the questions are not germane for scrutinizing the macroeconomic model used in the Godwins report.

The macroeconomic model used in the Godwins report is a classical general equilibrium model. As discussed in the Godwins report on pp. 26-27, the choice of a type of macroeconomic model for examining the effect on GNP-PI of the introduction of SFAS 106 was guided by a list of five desirable characteristics for a model:

(1) The model should be a multi-sector model allowing for some firms to offer post-retirement health benefits while other firms do not offer such benefits.

(2) The model should explain how production costs are related to the costs of labor and other inputs, and should allow for the possibility of substituting capital for labor as labor becomes more expensive.

(3) The model should provide a specification of the demand for goods related to the overall price level as well as to prices of goods in each sector.

(4) The model should be tractable so that numerical solutions can be computed and readily interpreted.

(5) The model should be internally consistent and based on sound economic foundations.

The classical general equilibrium model used in the Godwins report meets all five of these criteria. However, large-scale commercial econometric models do not meet all of these criteria. In particular, most large-scale commercial econometric models do not meet criteria (4) and (5). These models typically contain several hundred, or even over a thousand, equations and variables to be forecast. In addition to the sheer difficulty of tracing the effects of so many variables, the forecasts produced by commercial forecasters generally are based also on other factors such as time-series analysis, current data analysis, and "judgment". The fact that the forecasts of these models are based significantly on judgment and current data analysis makes it very difficult for an impartial observer to reproduce the results of these models and obscures the ability to readily interpret the forecasts produced by these commercial forecasters. Commercial large-scale econometric models in general have also been criticized for failure to satisfy criterion (5) that they be internally consistent and based on sound economic foundations. In light of the five desirable characteristics listed above, it was decided that a classical general equilibrium model would be preferable to a large-scale commercial econometric model for the purpose of evaluating the effect on GNP-PI of the introduction of SFAS 106.

An additional consideration that led to the choice of the classical general equilibrium model is related to the timing of the responses to the introduction of SFAS 106. The classical general equilibrium model is intended to gauge the effects of changes after the economy has returned to equilibrium, which may take several calendar quarters or years. This model does not address the extremely difficult task of predicting the dynamic responses over the short-run. By contrast, large-scale econometric models deliver a series of quarterly forecasts of GNP and other macroeconomic variables. However, in our judgment, short-run dynamic behavior is extremely difficult to forecast. Although these models do produce short-run forecasts, we would be cautious in interpreting the timing implied by these short-run forecasts. We decided to sidestep this difficult problem by using the conservative approach of calculating the impact on the macroeconomy after the economy fully responds to SFAS 106. The sense in which this approach is conservative is that it probably will overstate the short-run impact on macroeconomic variables, and thus helps guard against understating the impact on GNP-PI.

Now we will present a detailed point-by-point response to the issues raised in paragraph 16. We will structure the responses according to the following list of requests in Paragraph 16:

(1) fully describe and document the macroeconomic model, including

- (a) the method of estimation
- (b) parameter estimates
- (c) summary statistics

(2) provide the same information as in (1) for any alternate functional forms that were used

(3) provide the data used to estimate the model

(4) provide the data used in making forecasts from the model

(5) provide the results of any sensitivity analyses performed to determine the effect of using different assumptions.

Response to request (1): fully describe and document the macroeconomic model, including the method of estimation, parameter estimates, and summary statistics.

The macroeconomic model used in the Godwins report is described verbally on pp. 27-28 of the Godwins report, and a complete mathematical derivation and description of the model is presented in Part I of Appendix C, pp. 54-57. In order to apply this mathematical model to the United States, numerical values of the parameters need to be selected. In a conventional large-scale commercial econometric model, the numerical values of the parameters are typically estimated econometrically. For these models, it is important to ask about the method of estimation, the parameter estimates, and summary statistics describing the statistical properties of the parameter estimates and the model forecasts. However, the values of the parameters used in the classical general equilibrium model in the Godwins report were not econometrically estimated in the course of the preparation of the Godwins report. Instead, the numerical values of the model were calibrated so that in the baseline calculation without SFAS 106, the numerical results produced by the model matched U.S. macroeconomic data.

The calibration procedure is described in Part II of Appendix C, pp. 58-59, but here we will present a verbal description of the calibration. The utility function of households contains the following parameters:

α_1 and α_2, which measure the relative desirability to consumers of the goods produced in sectors 1 and 2: The larger is α_1 relative to α_2, the larger is the production of good 1 relative to good 2, and the larger is the share of the labor force employed in sector 1. The values of α_1 and α_2 are chosen so that in the initial equilibrium (before the introduction of SFAS 106) 68% of the labor force is employed in sector 1 (which does not offer SFAS 106 benefits) and 32% of the labor force is employed in sector 2 (which offers SFAS 106 benefits). These figures for the shares of employment in sector 1 and in sector 2 match U.S. data as indicated on page 7 of the Godwins report. (Of the 95.8 million private sector employees, 30.7 million are eligible to have a proportion of their charges in retirement met by their employer's medical plan. Thus, the share of the private sector labor force employed in sector 2 is 30.7 million/95.6 million = 32%.)

θ, which is the elasticity of substitution between the consumption of any two goods: The parameter θ equals the price of elasticity of the demand for goods. This parameter was not estimated nor was it directly calibrated to data. As stated on page 29 of the Godwins report, a value of 1.5 was used for θ, recognizing that this value most likely overstates the true price elasticity of demand. Experimentation with the value of θ indicated that the impact of SFAS 106 on the GNP-PI increases when the price elasticity of demand increases. (See the table on page 41 of the sensitivity analysis in the Godwins report.) Thus, using a high value of θ would guard against understating the impact of SFAS 106 on the GNP-PI.

η, which is the elasticity of labor supply: The elasticity of labor supply has been estimated econometrically in dozens of studies. Rather than try to estimate this elasticity again for the Godwins study, we referred to surveys of econometric studies of labor supply. The first complete paragraph on page 30 of the Godwins report describes the results of these studies and explains the choice of the value of zero for the labor supply elasticity.

We can amplify the discussion on page 30 by pointing out that there is an important difference between the response of labor supply to a *temporary* change in the real wage and a *permanent* change in the real wage. Economists explain the difference by using the concepts of an income effect and a substitution effect. An increase in the real wage increases the reward for working and causes people to substitute some of their time away from leisure toward working. Thus, the substitution effect of an increase in the real wage is an increase in labor supply. In addition, an increase in the real wage makes workers wealthier and reduces the need to work (or equivalently makes workers able to afford more leisure and less labor). This effect, known as the income effect, means that workers will reduce their labor supply in response to an increase in the real wage. Thus, the income effect and the substitution effect work in opposite directions: the substitution effect increases labor supply and the income effect reduces labor supply when the real wage increases. For a temporary increase in the real wage, the worker does not become very much wealthier and the income effect is relatively small. The income effect is likely to be smaller than the substitution effect and thus workers would be likely to increase labor supply in response to a temporary increase in the real wage. In contrast, for a permanent increase in the real wage, the income effect is likely to be relatively large. If the income effect is larger than the substitution effect, then workers will reduce their labor supply in response to a permanent increase in the real wage, which is a negative labor supply elasticity.

The introduction of SFAS 106 is a permanent change and thus any effects on the real wage are to be regarded as permanent effects rather than temporary effects. Thus, in choosing a value of the labor supply elasticity, it is appropriate to use the elasticity describing the response to a permanent change in the real wage. The econometric estimates described on page 30 of the Godwins